

**Senate Bill No. 1034**

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Passed the Senate     July 1, 2004

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*Secretary of the Senate*

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Passed the Assembly     June 24, 2004

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day of  
\_\_\_\_\_, 2004, at \_\_\_\_\_ o'clock \_\_M.

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*Private Secretary of the Governor*

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## CHAPTER \_\_\_\_\_

An act to add Title 10 (commencing with Section 2500) to Part 4 of Division 3 of the Civil Code, relating to contracts.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1034, Murray. Recording contracts: royalties.

Existing law prescribes the rights of parties to contracts for various types of services.

This bill would authorize a royalty recipient under a contract for the production of sound recordings, notwithstanding any provision of the contract, to audit the books and records of a royalty reporting party, as defined, to determine if the royalty recipient has earned all of the royalties due pursuant to the contract. The bill would require the royalty recipient to retain a qualified royalty auditor to conduct the audit and would prescribe other requirements and limitations.

The bill would make related findings and declarations.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature finds and declares:

(a) The recording industry is an important industry to the State of California.

(b) Artistic labor is an important resource to the people of California that is vital to maintaining a healthy and vibrant recording industry.

(c) Every royalty artist should have the ability to conduct an audit to verify earnings reported under a recording contract.

(d) The establishment of a set of basic auditing practices will advance the interests of both the artists and the recording industry as a whole.

(e) This act is important public policy and establishes minimum audit procedures that apply to all royalty contracts in the recording industry.

SEC. 2. Title 10 (commencing with Section 2500) is added to Part 4 of Division 3 of the Civil Code, to read:



## TITLE 10. RECORDING ARTIST CONTRACTS

2500. As used in this title:

(a) “Royalty recipient” means a party to a contract for the furnishing of services in the production of sound recordings, as defined in Section 101 of Title 17 of the United States Code, who has the right to receive royalties under that contract.

(b) A “royalty reporting party” is the party obligated to pay royalties to the royalty recipient under the contract described in subdivision (a).

2501. Notwithstanding any provision of a contract described in Section 2500:

(a) A royalty recipient may audit the books and records of the royalty reporting party to determine if the royalty recipient earned all of the royalties due the royalty recipient pursuant to the contract, subject to the following:

(1) A royalty recipient may conduct an audit not more than once per year.

(2) A royalty recipient shall request an audit within three years after the end of a royalty earnings period under the contract.

(3) A royalty recipient may not audit a particular royalty earnings period more than once.

(b) The royalty recipient shall retain a qualified royalty auditor of the royalty recipient’s choice to conduct an audit described in this section.

(c) The royalty recipient may enter into a contingency fee agreement with the auditor described in subdivision (b).

(d) A qualified royalty auditor may conduct individual audits of the books and records of a royalty reporting party on behalf of different royalty recipients simultaneously.

(e) Except as required by law, a qualified royalty auditor shall not disclose any confidential information obtained solely during an audit without the express consent of the party or parties to whom that information is confidential. This subdivision shall not prohibit the auditor from disclosing to the royalty recipient, or an agent of the recipient, on behalf of whom the auditor is conducting the audit information directly pertaining to that royalty recipient’s contract, as described in Section 2500.

(f) The provisions of subdivisions (a), (b), (c), (d), and (e) are in addition to any other rights provided by a contract, as described



in Section 2500, between a royalty recipient and a royalty reporting party.

(g) Nothing in subdivision (a), (b), (c), (d), or (e) shall be deemed to extend any limitations period applicable to royalty accounting or payments not specifically addressed in this section.

(h) Nothing in subdivision (a), (b), (c), (d), or (e) shall be deemed to limit any rights provided by collective bargaining agreement or by applicable state or federal law.



Approved \_\_\_\_\_, 2004

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*Governor*

